



Submission for the review of Tasmania's local government

I respectfully submit the following suggestions and recommendations for consideration by the Review Team.

Efficiency measures

- Each local government operates relatively independently and so they should; but their systems should be congruent and integrated.
No commercial enterprise would operate 29 operating units independently (*as the local government sector does*) because it would be such a high cost, inefficient model.
In my opinion, local government is way behind private enterprise in so many ways and there is a significant amount of empirical evidence to demonstrate and confirm just how inefficient, inflexible and unresponsive councils are.
There are numerous reasons for this and there appears to be no appetite from the sector to either recognise this fact or do anything about it.
Fortunately the Tasmanian Government has enough concerns to commission this review and I commend those responsible for doing so.

Accordingly, I recommend that the Government should move to transition the work of councils to private enterprise and for councils to become planners and contract managers for their respective areas.

This is not new, because this model was adopted by the Tasmanian Government years ago when it transferred the former Public Works Department work to the private sector, while retaining control and management of public infrastructure through a relatively small team of professional project managers in a much smaller government department.

Contracts for roadworks are tendered for by the private sector.

In my opinion, this has been an outstanding success in terms of cost/efficiency, and volume of work done. Just look at the wonderful quality, speed and cost of building the midlands highway.

Would anyone seriously suggest that such progress and work could have been achieved by the old Public Works Department?

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An additional benefit to government is the availability of a range of high level technical skills, such as bridge building. These have been developed in the Tasmanian private sector; but they simply could not and would not have been developed by a government department.

I believe that other areas of government, such as education and housing have also adopted such a model, at least in part.

- I also recommend that Local Government adopt most, if not all the processes and standards contained in the Business Excellence framework (as private enterprise has been doing for nearly 30 years.) Almost certainly, local government staff are aware of the very useful and comprehensive manual produced by the former Australian Quality Council and its various descendants and most likely some of the processes and standards have been adopted; but I have observed ample evidence to suggest that many more can and should be implemented.
- I recommend that a small number of Centres of Excellence be established for processing basic functions, such as payroll and accounts payable. I am aware of some resource sharing that currently exists within the administrative work of local government and this suggestion extends this concept to a higher and more professional level for use by all councils.
In the event that the larger councils are able to convince the Government that they should retain these functions, the concept can still be applied to all medium and small councils.
I believe that the results will surprise many in local government; but companies have been doing this for many years for obvious reasons.
- I recommend that a standard accounting system, based upon *“once only data capture at the source”* be established for use by all councils.
The system should include all aspects of accounting including capital expenditure and operating revenues and expenses.
- The compliance requirements for local governments are significant and to assist in managing this aspect of work and gain efficiencies, I suggest that a standard compliance register covering all legislative requirements be established.
Such a register could be divided into weekly, monthly, quarterly, half yearly, annual and periodic items.
I note that Mr Andrew Wardlaw is on the Review Team and he will be familiar with this as I introduced the concept to him during my time as Chairman of the Burnie City Council audit committee.
I know that he has progressed this suggestion, at least to some degree.
Such a concept can be extended to operational matters.

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- If they don't already exist, I suggest that standard policies for asset management be established. Such policies may need to be tailored to accommodate any legitimate differences in any given council.

Accountability measures

- I recommend that an independent panel of experts be established to publicly review the performance of each council, each year, much like the parliamentary hearings into the performance of GBEs. Such a review might involve the attendance of each mayor and general manager and would cover the Auditor General's report (which I don't believe receives enough publicity) and other factors such as safety, environmental performance and other non-financial matters.
- I suggest that a tabulation of benchmarking comparisons for the three groups of councils (large, medium and small) be provided in the Auditor General's report. The information currently exists in the AG's report but the readers have to compile their own tabulation of comparisons. This measure will tend to increase ratepayer awareness of the relative performance of their council and increases the accountability of councils.
- If not currently the case, the remuneration for each general manager and senior managers should include a relatively significant component for the achieving of agreed key performance indicators, as set by each council (possibly with the oversight of the panel of experts referred to above.) Nothing drives improvement in any organisation like this approach does.

Other measures

- One of the issues facing local government is that often facilities and services provided are used by ratepayers of neighbouring municipalities. This is inevitable when local government areas are relatively small (*and probably should be merged to represent a more appropriate combined community of ratepayers*)
There must be a way or a mechanism to have regard for this fact and provide some kind of compensation for the providing council. I don't have any suggestions, but it surely couldn't be beyond the wit of professionals to devise an appropriate mechanism to address this anomaly.
- As a priority issue, each council should review their assets and any that are redundant or surplus should be sold.
If the first efficiency measure recommended in this submission is adopted, this will free up even more much needed capital as most plant and equipment, depots etc. will not be required.
- As a general principle, councils should not compete with their own ratepayers in any activity, unless competition is deemed to be necessary for the benefit of consumers and ratepayers.

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- Employment contracts for each general manager and each senior manager should be reviewed to provide for flexibility in the event of significant changes. For example, when councils ceased to have responsibility for water and sewerage (*and I am advised that this was around one third of their responsibilities*) salaries for general managers were not reduced, apparently because the employment contract didn't provide for such a reduction.

And this continues each and every year...and still remains locked into the costs which ratepayers have to fund.

Had the reverse taken place and general managers had been required to accept a one third increase in their responsibilities, I have no doubt that a way would have been found to increase their remuneration.

Of course there are many other factors but this is one reason why ratepayers of all councils, now pay way more in rates, water and sewerage, than when everything came under the direction of councils. In addition, I suggest that like Devonport, there was not a proportionate reduction in the number of employees when the change took place.

- A number of fees charged by councils, such as those associated with building developments appear to be somewhat arbitrary and not related to the actual cost of providing the "services".

If this statement is incorrect, then I submit that council processes are very inefficient and in urgent need of improvement.

During a current building extension at my holiday home in Bicheno, I enquired as to the time that it took to assess the application and the cost of providing approval for the building application.

I was advised that the amounts charged were in accordance with the approved budget.

Of course I knew this. I just wanted to know the actual cost, because it couldn't have taken more than a few minutes to check that all the required certificates and design documentation had been lodged (which they were).

I concluded that this was just another local government technique for extracting profits from ratepayers and increasing the cost of building.

From a casual perusal of other fees and charges levied by several councils, I would be astonished if they do not contain a generous component in excess of actual cost.

Accordingly, I suggest that all fees and charges be based upon cost recovery and reviewed/ confirmed by the audit committee of each council, each year, rather than be based upon "last year plus a bit" with no incentive to apply the concept of continuous improvement in administrative processes.

- One and a half years ago, I wrote to the General Manager of the Glamorgan Spring Bay council. Despite a follow up reminder, I have not had the courtesy of a reply.

Accordingly, I suggest that standards, similar to those that apply in most customer focussed organisations, be set for responding to ratepayer enquires and that ratepayers be advised (*possibly*

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by being stated on the rates notices) and included on the web site for each council, in order to provide a degree of accountability.

- **Rates**

- In order to drive cost efficiencies, rate increases should be within the annual local government inflation index.

This should be a very achievable goal because councils also derive significant upfront and ongoing revenue from new developments. Also, I note that the local government index includes a component for labour. Clearly this component should be discounted for any offsets achieved in wage negotiations that council often say were achieved.

- Rates should have some regard to the area and population of the municipality
For example Burnie (610 sq. km.) has almost six times the amount of area as Devonport (111 sq. km.) and yet for many years the rates in Devonport have been higher than those in Burnie. Other factors can be included, such as the kilometres and type of roads, the number of bridges to maintain etc.

It simply must cost less to provide services to a compact area like Devonport, than it is to a larger area, like Central Coast or Burnie; but this factor does not appear to be recognised by local government and is certainly not reflected in rates.

I'm sure that there are numerous other matters that I have not covered in this submission; but I am willing to be available, should the review team desire any further input from me.

Respectfully submitted,

Roger L G Martin

2 September 2019

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